

United States Senator

BOB BENNETT

Joint Economic Committee

For Immediate Release
May 21, 2003

Contact: Rebecca Wilder, (202) 224-0379

Chairman's Opening Statement

Senator Robert F. Bennett

Hearing of the Joint Economic Committee

"The Economic Outlook"

May 21, 2003

Good morning and welcome to today's hearing. We are pleased to have as our guest today Chairman Alan Greenspan of the Federal Reserve. We always appreciate his views on the current economic situation, as well as his broad perspective on the challenges we face as a nation.

Today is Chairman Greenspan's first hearing since the most recent meeting of the Federal Open Market Committee of the Federal Reserve. Changes in the Fed's statements, as well as substantial consumer and producer price declines in April, have recently generated many questions about deflation. I hope today's hearing will serve as a fair and open forum for exploring some of the potential answers.

In my own view, the deflation questions facing the United States are fundamentally different than they are for some economies currently suffering from this condition, such as Japan. We don't face the same deflation risks. But we shouldn't take any chances.

The questions of deflation come in the context of a nation still awaiting signs that our economy has fully emerged from the recent recession. Many economists predicted months ago that once the so-called "fog of war" was lifted and uncertainty resolved, the economy would rebound. However, economic indicators continue to paint only a murky picture, precluding a confident declaration that the economy has turned the corner and begun to approach full stride. For example, far too many Americans are still out of work.

Congress should not wait any longer for brighter signs from the economy. We should send to the president's desk a bold jobs and growth package now.

Final passage of a bold jobs and growth package is an important step, but the next few months will not be a time for us to sit on our laurels. Congress has much work to do. Let's start the discussion today about what tools we should use, in addition to tax cuts, to grow our economy and prepare for the future.

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Some might shrug at the idea of giving serious thought to a foggy future, but the fact is, the future is much

clearer than some would have us believe. The biggest feature on the horizon -- one that we can forecast with an almost perfect accuracy -- is the aging and the retirement of the Baby Boom generation. In the year 2011, now just 8 years away, the first of that generation will reach the age of 65. As these men and women retire, the nation faces a serious challenge, with fewer workers available to support each retiree. This trend will put pressure on Social Security and especially on a system of delivering health care that looks much the same as it did when the younger of the Baby Boomers still wore diapers. Part of the answer will be having a fundamentally stronger and larger economy in place when they retire.

We need to think harder about how we tax capital and how our practice in that area can improve. The tax burden on capital in the U.S. is higher than imposed by many of our international competitors. Continued high rates of capital taxation could, by discouraging investment and capital formation in the U.S., handicap us in our efforts to meet upcoming challenges.

Just last week 70 Senators voted for a "Sense of the Senate" amendment instructing the Joint Economic Committee and the Senate Committee on Finance to consider tax reforms, including a Flat Tax. The bipartisan support for the amendment is an encouraging development suggesting many Members of Congress recognize the need to not just cut taxes, but to reform our tax system.

Yet, we must have more weapons than tax policy in our arsenal if we are to continue to flourish in the decades ahead. One key strength on which we must draw is our economy's extraordinary flexibility, which has allowed us to weather an unexpected series of shocks over the past few years.

I observe this flexibility in strong financial markets helping to ensure our nation's financial resources are put to their best use. I see this flexibility, as well, in the vitality and creativity of small and growing businesses, which quickly arise to meet new needs. Thanks to the ingenuity of these small business owners who risk their capital; thanks to the eagerness and ability of workers to adapt to new challenges; thanks to a pension system that has increasingly made workers mobile and allowed them to quickly respond to new opportunities instead of tying them to a single job for a lifetime: thanks to all of these factors, workers can go to the places they are needed the most.

On previous occasions, Chairman Greenspan has emphasized the economy's flexibility as a key to its long-run growth prospects. Today, I invite him to add concreteness to his observation. In particular, I welcome a discussion about the particular actions we can take to enhance and build upon the flexibility to grow and meet the coming challenges.

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